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FM AMEMBASSY BEIRUT
TO RUEHC/SECSTATE WASHDC 4057
INFO RUEHEE/ARAB LEAGUE COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE
RHEHAAA/NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOC/USDOC WASHDC

UNCLAS SECTION 01 OF 02 BEIRUT 000100

SENSITIVE

SIPDIS

STATE FOR NEA/ELA
STATE PASS USTR FRANCESCKI
STATE PASS USAID BEVER/LAUDATO/SCOTT
TREASURY FOR PARODI/BLEIWEISS/AHERN
USDOC FOR 4520/ITA/MAC/ONE
NSC FOR YERGER/MCDERMOTT

E.O. 12958: N/A

TAGS: ECON EFIN PREL PGOV LE

SUBJECT: LEBANON: HOARDING OF GASOIL CAUSES SHORTAGES (ECONOMIC WEEK
IN REVIEW, JANUARY 19 - 25, 2009)

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GASOIL SHORTAGE EXPECTED TO
DROP WITH ARRIVAL OF TANKERS

¶11. (SBU) Minister of Energy and Water (MEW) Alain Tabourian publicly said on January 21 that the gasoil shortage will drop with the arrival of three tankers in the next two days. A senior MEW source told us the GOL has been distributing about 12 million liters of gasoil daily to the market, while daily market needs are about five million liters. He attributed the shortage to some distributors hoarding gasoil to raise the price artificially to reap higher profits. The source explained that the cabinet had agreed to subsidize gasoil by \$2 per 20 liters from December to February if the government-set price of 20 liters reaches ten dollars or more. However, as a result of the drop in international prices, the MEW officially set the price of 20 liters of gasoil at nine dollars, and thus the subsidy has not come into effect.

RECORD NUMBER OF TOURISTS
VISIT LEBANON IN 2008

¶12. (U) According to the Ministry of Tourism, the number of tourists visiting Lebanon in 2008 reached a record 1.33 million, or a 31 percent increase compared to 2007. The number of tourists in 2008 also was 4.2 percent higher than in 2004, previously considered the best year for tourism in over a decade. Tourists from the Arab world accounted for 41.2 percent of total tourists in 2008, followed by Europe (26.1 percent), Asia (13.6 percent), the Americas (13.3 percent), Oceania (3.2 percent), and Africa (2.6 percent).

LEBANON "MODERATELY FREE" IN
ECONOMIC FREEDOM SURVEY

¶13. (U) The 2009 Heritage Foundation/Wall Street Journal Index of Economic Freedom ranked Lebanon 95 out of 183 countries worldwide

compared to 73 out of 162 countries in 2008. Regionally, Lebanon ranked nine out of 17 MENA countries, unchanged from the previous survey. Lebanon remained in the "moderately free" category, with its overall score regressing slightly compared to 2008. Lebanon ranked higher than the MENA average in terms of fiscal, trade, monetary, and financial freedom. The index evaluates individual economies based on 52 independent variables divided into ten factors, including business freedom, trade freedom, fiscal freedom, government size, monetary freedom, investment freedom, financial freedom, property rights, freedom from corruption, and labor freedom.

WORLD BANK: LEBANON'S URBANIZATION RATE AT 86.6 PERCENT IN 2005

¶4. (U) The World Bank's 2009 World Development Report ranked Lebanon 28 out of 212 countries worldwide and five out 17 MENA countries in terms of urban population as a percentage of total population in ¶2005. Lebanon's urbanization rate stood at 86.6 percent in 2005, up from 86 percent in 2000, and well above the global urbanization rate of 56.3 percent. The report projected Lebanon's urbanization rate to reach 87.9 percent in 2015.

EFG HERMES: 4.5 PERCENT GDP GROWTH AND FOUR PERCENT INFLATION IN 2009

¶5. (U) Investment bank EFG Hermes revised its 2008 GDP growth estimate for Lebanon to six percent, up from 4.5 percent, inline with Central Bank of Lebanon (CBL) Governor's estimate. EFG Hermes lowered its forecast for 2009 from five to four percent. In nominal

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terms, GDP was projected at \$29.4 billion in 2008 and \$31.7 billion in 2009. It noted that high remittances and capital inflows, as well as a reversal in deposit dollarization witnessed in 2008, are indicators of greater confidence in Lebanon. EFG Hermes said inflation reached ten percent in 2008, and is expected to fall to four percent in 2009 due to lower oil prices and the depreciation of the euro. CBL estimated inflation at eight percent in 2008, dropping to less than six percent in 2009. Public debt was expected to rise to around \$47 billion at end-2008 compared to \$42 billion at end-2007, the report said.

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